

NBCM-BF-6600-002 Billing and Collections

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1. PURPOSE

This Policy provides guidance for ensuring timely billing, collection, and accounting of funds due the National Business Center (NBC) for products and services provided to customers. The policy objective is to bill and collect amounts due as quickly and as efficiently as possible to minimize negative expenditure balances and to accurately record NBC revenue. Also refer to NBCM-BF-6600-001, NBC Policy on Reimbursable Agreements Document Management, which provides policy and procedures for Inter and Intra Agency Agreements (IAA) and the supporting system, called CAS, where contractual documents that formalize the billing relationship between the NBC and customer are entered and controlled.

2. SCOPE

This Policy applies to all products and services that are backed by contractual documents to formalize the billing relationship between the NBC and customer. The contractual documents include IAAs; Form DI-1, United States Department of the Interior Requisition; Form DI-14, Printing, Binding, and Distribution

Request; Government Purchase Card Requests; Purchase Orders; and Standard Form 182, Request, Authorization, Agreement and Certification of Training.

3. DEFINITIONS

Agency Location Code: A unique number assigned by the U.S. Department of the Treasury to Federal agencies for Treasury reporting purposes. The first 2 digits of the 8-digit ALC identify the department or agency, the third and fourth digits identify the particular bureau within the department, and the remaining 4 digits identify the particular agency account section within that bureau. The NBC agency location code is 14-01-0001. The Agency Location Code for both NBC and the customer are used as part of the billing and collection process.

CASH LINK: An electronic information system used by the U.S. Department of the Treasury to manage the collection of U.S. government funds throughout the world and to provide deposit information to Federal agencies. This network links Federal agencies, commercial banks, the Federal Reserve Banks, and the Treasury Department together through an electronic network. CASH LINK also provides Federal agencies with real-time information (via the Internet) to verify deposits, ACH and Fedwire transfers, and voucher adjustments to reconcile accounts.

Fixed Price Agreement: This type of agreement is used when a fair and reasonable fixed price can be established for a product or service at the outset. The fixed price agreement is collected for the full amount of the agreement and is not based on actual expenses. The customer pays the negotiated amount regardless of the provider's incurred cost. The fixed price agreement may be billed and collected in arrears (after expenses have been incurred) using a fixed percentage of the total based on the billing cycle.

Internal Agreement: This type of agreement is used to account for products or services offered between NBC organizations. It is referred to as Tier 1, Tier 3a, and Tier 3b costs within NBC's costing methodology.

- Tier 1 represents the executive leadership and administrative costs required to manage the NBC.
- Tier 3 represents the cost of services provided to an NBC Directorate/LoB by another internal NBC Directorate/LoB that is eventually included in the final cost of services charged to a non-NBC customer. Tier 3 is broken up into two types, direct costs (3a) and indirect costs (3b).
 - Tier 3a costs are direct costs associated with services that one LoB receives from another LoB. Essentially, the activities are "outsourced" to an NBC LoB. An example of a direct cost is the IT LoB charge for hosting the financial system for the Financial Management (FM) LoB.

The financial system is a service that the FM LoB provides to its customers; therefore, the IT hosting service directly supports this service.

- Tier 3b costs are indirect costs associated with services received from another LoB. Indirect costs are incurred when services are provided internally that indirectly support the recipient LoB. These are organization sustaining costs and do not directly support a specific product or service. All customers are charged the same price, regardless if they are internal or external. An example of an indirect cost is the amount that the IT LoB will charge all NBC LoBs for desktop support.

Intra-Governmental Payment and Collection (IPAC): An electronic Internet-based collection and payment system maintained by the U.S. Department of Treasury for use by Federal agencies to bill and collect amounts owed from other Federal agencies.

Invalid Agreement: An agreement that has not been signed or eventually cannot be signed by either the customer or provider and where expenditures have been incurred by the NBC.

Project Cost Accounting Subsystem (PCAS): A subsystem within the financial accounting system, FFS, that tracks project costs, associates the project costs with Inter and Intra Agency Agreements, spreads project costs to customers, and generates data for billing. The PCAS is only used for time and materials agreements.

Time and Materials Agreement: This type of agreement is used when it is not possible to estimate a fixed price or duration of the work or to anticipate costs with any reasonable degree of confidence. The amount billed and collected is based on the actual expenses incurred during the billing period, not to exceed the estimated agreement total. If it is expected that costs will exceed the estimated IAA total, then renegotiations must take place with the customer to increase the agreement amount in order to bill actual expenses.

Unallocated Costs: Costs/expenditures that NBC has incurred in excess of funding approved by the customer which cannot be billed unless the customer agreement amount is increased. If the NBC is unable to increase the IAA to cover these costs, then the NBC must absorb these costs.

4. ROLES AND RESPONSIBILITIES

- 4.1. The **Chief Financial Advisor (CFA)** is the Associate Director, Budget and Finance. The CFA is responsible for establishing financial accounting policies and procedures for NBC, including those related to IAAs, revenue,

and cash flow. The CFA is ultimately responsible for ensuring billing and collection is performed timely in accordance with Departmental, NBC, and other regulatory guidance and procedures.

4.2. The NBC Budget Director is responsible for the following:

- 4.2.1.** Preparing annual central bill agreements as approval by the Working Capital Fund Consortium.
- 4.2.2.** Preparing all annual Tier 1 NBC agreements.
- 4.2.3.** Ensuring all central bill and Tier 1 agreements are entered in the financial accounting system via CAS.
- 4.2.4.** Ensuring central bill and Tier 1 agreements are timely signed by the appropriate representatives from both the NBC and the customer in accordance with the timeframes and procedures identified in this Policy.

4.3. Associate or Assistant Directors are responsible for:

- 4.3.1.** Ensuring that IAAs or other contractual documents are prepared completely and correctly in CAS. This includes the following to prevent delays in the billing:
 - Fields 5d through 5g – ensure the data is accurate as this information is essential to the IPAC billing. Customer credit card information should not be entered in these fields.
 - Block #1 - the account number(s) used must correspond to where the charges will be made (e.g., Quick Time for time and materials agreements only.) For fixed price agreements, ensure the account number(s) used corresponds to where the revenue will be recorded. Program managers can override the CAS-generated account number with the appropriate revenue account number. Questions regarding the appropriate revenue account number should be directed to the Budget Director.
 - Block #2 - the agency location must match the Customer ALC # referenced in 5d. For example, often the DUNS number or some other number is used in error. If the customer is not another Federal agency, then the vendor code, as set up in the VEND table, must be used. To set up a new vendor code, a Vendor Update Form must be sent to the Accounting Operations Division.
 - Block #3, Bill Cycle and Bill Type - shall be (O) for OPAC/IPAC. Using any other bill type prevents posting certain transactions within the financial system.
 - Block #6F- ensure the correct agreement type (e.g., time and materials or fixed price) is recorded.

- 4.3.2. Ensuring agreements or other contractual documents are timely signed by the appropriate representatives from both the NBC and the customer before commencement of work and expenditure of NBC resources, especially in cases of recurring services in accordance with the timeframes and procedures identified in this Policy.
- 4.3.3. Ensuring advanced payments are requested and received as appropriate and applicable (e.g., for acquisition services).
- 4.3.4. Entering agreements or other contractual documents into CAS and/or the financial accounting system once approved by all required parties. This also includes instructing the Accounting Operations Division to enter in the accounting system an obligation for each Tier 1, 3a and 3b agreement that your organization has approved.
- 4.3.5. Ensuring that billing memorandums and suitable supporting documents for goods and services initiated with other contractual documents are provided to the Accounting Operations Division within 2 business days after approval by the customer and/or delivery of goods or services so that billing and collection can begin immediately.
- 4.3.6. Monitoring IAAs to ensure they are not overspent, and working with the Accounting Operations Division to reconcile unallocated costs to account for all costs incurred.
- 4.3.7. Monitoring monthly financial reports to ensure customers are billed and revenue is recorded timely and correctly in the financial accounting system.
- 4.3.8. Ensuring that the final billing of all time and materials agreements is completed within 45 calendar days after fiscal year end.
- 4.3.9. Working with the Accounting Operations Division to resolve outstanding billing and collection issues.
- 4.3.10. Preparing appropriate documentation to request the write-off of uncollectible (invalid) agreements. This includes the following:
 - Copy of the reimbursable support agreement.
 - Reports showing the unallocated costs incurred as of the date of the request.
 - Written documentation that supports actions taken to obtain a signed agreement as this Policy requires in Section 5.2.2 below.
 - Justification for write off including the reasons that the debt cannot be collected.

4.4. Accounting Operations Division is responsible for:

- 4.4.1. Processing the periodic billing and collection of funds from DOI bureaus and other external customers through IPAC, check, or

CASH LINK systems based on financial documentation and transactions entered in the financial accounting system via CAS or from other financial paperwork provided by NBC organizations.

- 4.4.2. Processing the billing and collection of funds from internal customers (e.g., NBC, Office of the Secretary) that are supported by IAAs entered in CAS, purchase orders, certification of training forms (SF-182), or CASH LINK documents.
- 4.4.3. Recording the financial transactions associated with each agreement or other suitable contractual documents in the financial accounting system.
- 4.4.4. Ensuring that the final billing of all time and materials agreements is completed within 45 calendar days after fiscal year end.
- 4.4.5. Providing supporting documentation as requested by those customers billed for services performed.
- 4.4.6. Providing financial data and reports on billings and collections against agreements as requested by other Federal agencies, bureaus, or NBC Directorates.
- 4.4.7. Keeping financial records for all bills issued and collections received in accordance with Department retention schedules.
- 4.4.8. Working with Directorates to resolve problems and issues regarding billings and collections.

5. POLICY

Effective financial and cash management requires timely preparation, approval, and submission of obligating documents (e.g., IAAs, DI-1s, DI-14, etc.) to ensure that customers are billed and revenue is recorded timely in accordance with Departmental and other regulatory guidance and procedures. This also ensures that expenses do not exceed revenue.

5.1. Funding Agreements

- 5.1.1. **Central Bill and Discretionary Agreements.** All agreements for DOI bureaus and organizations and NBC Directorates/LoBs will be signed by the customer and received by NBC within 30 days after issuance.
- 5.1.2. **External Customer Agreements.** The following applies:
 - Recurring Agreements.
 - 90% of all recurring IAAs for external customers will be prepared, approved by the customer, and recorded in CAS and the financial system within the first quarter of each fiscal year.

- The remaining 10% will be completed and recorded in the financial accounting system by the end of the second quarter of the fiscal year.
- Non-recurring Agreements.
 - Any new, non-recurring IAA will be prepared and recorded in CAS within 30 days after verbal negotiations are completed with the customer.
 - 50% of non-recurring agreements will be approved by the customer within 30 days after receipt and 100% within 60 days.

5.2. Monitoring the Status of Unsigned Agreements

5.2.1. Central Bill and Discretionary DOI Agreements. The NBC Budget Office shall monitor, review, and ensure signed IAAs are received from DOI bureaus/organizations and NBC Directorates/LoBs in a timely manner. The Budget Director shall take actions as appropriate and identified below to obtain signed agreements:

- Provide DOI bureaus/organizations and NBC Directorates/LoBs with 30 days to approve, sign, and return the agreement after receipt.
- Thirty (30) calendar days after the customer has received the agreement but has not yet signed and returned it, elevate the matter to the Associate Director, Budget and Finance Directorate who will contact the DOI bureau/organization or NBC Directorate advising them of the need to approve and sign the agreement.
- Forty five (45) calendar days after the customer has received but has not yet signed and returned the agreement, the Associate Director, Budget and Finance Directorate will elevate DOI bureaus/organizations which have not signed their agreements to the Deputy Director, Departmental Budget Office who will contact the DOI bureau/organization advising them of the need to approve and sign the agreement.
- Sixty (60) calendar days after the customer has received but has not yet signed and returned the agreement, the Deputy Director, POB, will elevate the matter to the Deputy Assistant Secretary for Business Management and Wildlife Fire who will contact the DOI bureau/organization advising them of the need to approve and sign the agreement.

5.2.2. External Inter Agency Agreements (IAA). Associate and Assistant Directors shall monitor, review, and ensure signed IAAs for recurring and non-recurring services are received from customers in a timely manner. Associate or Assistant Directors

shall take actions as appropriate and identified below to obtain signed IAAs from customers:

- Provide the customer with 30 days to approve, sign, and return the agreement.
- Thirty (30) calendar days after the customer has received but has not yet signed and returned the agreement, contact the customer by telephone requesting signature within 15 calendar days. Notate the call in writing, including organization and point of contact, for future reference. See Attachment 1 for sample call sheet. It is not mandatory that you use this format.
- Sixty (60) calendar days after the customer has received but has not yet signed and returned the agreement, contact the customer in writing and advise that services will be terminated within 30 calendar days if a signed agreement has not been received. See Attachment 2 for a sample written notification. It is not mandatory to use the sample language.
- Ninety (90) calendar days after the customer has received but has not yet signed and returned the agreement, advise the NBC Director of the delay. Provide a copy of the IAA, notes on the initial contact call with the agency, a copy of the written notification, and the name and phone number of an appropriate management official at the same or higher level of the NBC Director. The NBC Director will contact the agency and advise that services will be stopped if an approved funding agreement is not received within 15 calendar days.
- One Hundred Twenty (120) calendar days after the customer has received but has not yet signed and returned the agreement, contact the customer and advise that services will cease effective immediately. Notify appropriate NBC Directorates and staff to take appropriate action to cease providing services.

5.2.3. Interconnection Security Agreements (ISA). The Assistant Director, Information Technology Directorate is responsible for monitoring, reviewing, and ensuring signed ISAs are received from customers in a timely manner. ISAs are included in this Policy as they also have financial-related impacts which, when not signed and received timely, may result in a financial statement audit finding. The IT Directorate is solely responsible for creating the ISA, signing, and sending it to the customer for signature, monitoring and recording its completion in CAS, and maintaining the official copy. The IT Directorate shall take actions as appropriate and in accordance with the timeframes

as identified in Section 5.2.23. above to obtain signed ISAs from customers.

5.3. Billing Timeframes

- 5.3.1 The standard billing cycle for DOI and external customer agreements will be quarterly. This includes fixed price and time and materials agreements. Exceptions to this billing cycle are Fort Huachuca time and materials agreements and all Aviation Management agreements which are billed bi-weekly.
- 5.3.2. Agreements between NBC Directorates/LoBs will be billed monthly.
- 5.3.3. DOI and external customers who desire more frequent billings than quarterly must be apprised of the additional cost for more frequent billings and that amount must be added to the customer's IAA. Contact the Budget and Finance Business Management Office to obtain a price for monthly billing.
- 5.3.4. Billings on fixed price agreements shall use a fixed percentage of the IAA total based on the billing frequency (e.g., one fourth of the total agreement amount will be billed each quarter in arrears.)
- 5.3.5. Billings for time and materials agreements shall be based on actual expenses, fully burdened with overhead, and in arrears.

5.4. Accounting Requirements

- 5.4.1. **Time and Materials Agreements.** Revenue collected for time and materials agreements shall be accounted for in the WD fund. In the WD fund, funds shall be tracked and accumulated against Inter and Intra Agency Agreements in the Project Cost Accounting Subsystem (PCAS). Revenue shall be recognized as expenses are incurred and distributed in PCAS. Revenue cannot be recognized until and unless expenses are distributed.
- 5.4.2. **Fixed Price Agreements.** Revenue collected for NBC fixed price agreements, including central billing activities for DOI bureaus, shall be accounted for in the WC fund. However, expenses incurred for fixed price agreements shall be accounted for in fund WF. Revenue shall be transferred by the Accounting Operations Branch to the WF fund via a standard voucher quarterly to cover expenses incurred. Revenue shall be recognized when cash is collected. The exception to this accounting process is fixed price agreements for the Southwest Acquisition Branch. The contractual funding amounts for the Southwest Acquisition Branch fixed price agreements shall be entered in the WH fund. Administrative fees earned from letting

and managing the contractual instruments shall be entered in the WF fund.

- 5.4.3. Other Contractual Documents.** Form DI-1, United States Department of the Interior Requisition; Form DI-14, Printing, Binding, and Distribution Request; Government Purchase Card Requests; Purchase Orders; and Standard Form 182, Request, Authorization, Agreement and Certification of Training shall be accounted for in the WF fund or WM fund for rental of property at the Main Interior Building, Washington, D.C. Revenue shall be recognized when cash is collected.

5.5. Terminating or Canceling Accepted Agreements

- 5.5.1.** IAAs may be terminated by either party with a minimum of 60 days advance written notice before the next billing period.
- 5.5.2.** If the agreement is terminated or cancelled by the customer with fewer than 60 days notice, the NBC shall collect costs incurred before cancellation of the agreement plus any termination costs.
- 5.5.3.** Notification to terminate or cancel the agreement shall be submitted to the Accounting Operations Division.

5.6. Terminating or Canceling Invalid Agreements

- 5.6.1.** After the Associate or Assistant Director has taken all actions, as described in Section 5.2.2., and is unable to secure a signed agreement from an external customer **and** the NBC has expended resources/costs for services provided to date, actions must then be taken to ensure accurate accounting, reporting, and disposition of this debt. This includes the establishment of a receivable in the accounting system.
- 5.6.2.** One hundred and twenty (120) calendar days after the customer has received but has not yet signed and returned the agreement and all actions have been taken as identified in Section 5.2.2, send the Associate Director, Budget and Finance, a written request to write off the uncollectible debt. Provide with the memo, the documentation identified in Section 4.3.10.
- 5.6.3.** Once approved by the Associate Director, Budget and Finance, the following accounting actions will be taken by the Accounting Operations Division to write off the debt and reclassify the operating expenses. The reclassification shall be recorded via a standard voucher as described below:
- To establish accounts receivable and reclassify operating expenses:
Debit: 131D Accounts Receivable on Budget Unbilled
Credit: 610A Operating Expense/Program Cost

- To record allowance for uncollectible accounts receivable:
Debit: 6720 Bad Debt Expense
Credit: 1319 Allowance for Loss on Accounts Receivable
- To record write-off of uncollectible accounts receivable:
Debit: 1319 Allowance for Loss on Accounts Receivable
Credit: 131D Accounts Receivable on Budget Unbilled

6. AUTHORITY/REFERENCES

- Working Capital Fund Authorizing Legislation
- Economy Act
- NBCM-BF-6600-001, NBC Policy on Reimbursable Agreements Document Management
- SFFAS 1, Accounting for Selected Assets and Liabilities
- SFFAS 7, Accounting for Revenue and Other Financing
- Treasury Financial Manual Volume 1
- OMB Memorandum M-03-10, Business Rules for Intergovernmental Transactions
- Department of the Interior Cash Management Handbook
- Department of the Interior Inter or Intra-Agency Acquisition Handbook

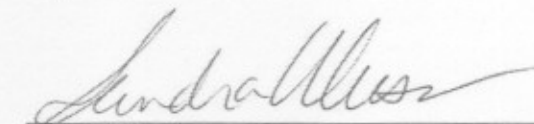
7. EXCEPTIONS/LIMITATIONS

When a conflict with a higher level policy or regulation exists, the higher level policy will take precedence.

8. VERSION CONTROL RECORD

See the Appendix

Approved:



Chief Financial Advisor
National Business Center

6/2/06
Date

Attachment 1

CALL SHEET

Agency Name:

IAA Number:

Services Provided:

Call placed to (name):

Call placed to (phone number):

Call dates and actions:

Highlights of call/discussion:

NBC Caller:

Attachment 2

Date

Name

Agency

Address

Dear:

This letter is to advise you that we have not yet received an approved Inter Agency Agreement (IAA) which establishes funding and billing/collection procedures for the services that the National Business Center (NBC) is providing to your agency. We originally sent you this agreement on X, agreement number X, for X services.

As you may know, the NBC functions under the Economy Act and, as such, is required by law to recoup its costs for the goods and services provided to customers. Further, in accordance with Federal rules and regulations, reimbursable agreements should be approved and in place before the provider agency expends any funds or provides any services which require the expenditure of funds. In the absence of a signed agreement, we are currently expending our resources without approved funding to cover these expenses and are carrying negative balances on our financial records which must be reported and explained to our auditors as part of the financial statement audit process.

We very much value our service relationship with your organization and wish to continue it in a positive manner. We have attached another copy of the IAA which you may sign in lieu of the original which was provided to your agency. I must advise you that if we do not receive a signed agreement within 30 calendar days of the date of this letter, we may have to discontinue our services at that time.

We regret the circumstances that have necessitated this action. We urge you to give this matter your immediate attention so that we can close the IAA process, establish the appropriate accounts, and begin the billing cycle.

Please do not hesitate to contact me on (phone number) if you have any questions or concerns regarding this agreement.

Sincerely,

Associate/Assistant Director
XX Directorate

Enclosure

APPENDIX

Version Control Record

| Version | Date | Description of Revision/Update | Distribution |
|---------|---------|--|----------------------------|
| 1.0.0 | 3/17/06 | Initial release | NBC Senior Leadership Team |
| 1.1.0 | 6/02/06 | Modifies timeframes for taking action when recurring IAAs have not been signed by customers in Section 5.2.2. Establishes timeframes for taking action when non-recurring IAAs have not been signed by customers in Section 5.1.2. Changes 5.2.2 to remove reference to ISAs and adds 5.2.3 to address ISAs. | NBC Senior Leadership Team |
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